

The City of Lynchburg
Review of Parks & Recreation Fees

May 16, 2006

Final Report



Prepared by the Department of Internal Audit
City of Lynchburg

Introduction

Lynchburg's Parks and Recreation Department is responsible for the management of City parks, trails, athletic fields and tennis courts as well as providing various recreational programs. The department is divided into four main functional areas of Park Services, Recreation Services, Business Services and Administrative Services.

Parks and Recreation generally charges fees for programs to offset the need for general fund dollars. These programs include classes for special interest groups such as dancing, arts and sports. In addition, the department leases facilities and provides services that support special events. During the timeframe of July 1, 2005 through December 31, 2005 approximately \$110,732 were collected for services provided.

The department uses RecWare Safari, a recreational management software, to automate daily processes such as activity registration and point of sale transactions. The system also offers other capabilities such as facility reservations and inventory management which the Director plans to implement in the near future. The Director is also researching an interface to Safari called ProActive which would enhance its registration process by offering internet registration to the community. The first step in accepting internet registration is to accept credit cards for payment.

The Safari system tracks user access and transactions. Staff in each program area receive fees and enter registration information into the system. When a payment for a registration is entered, the system prints out a receipt and adds the payee to the activity roster. Employees deposit the fees collected and submit the deposit slip, cash distribution account report and a cash receipts report to the administrative office. Staff within the administrative office complete the Reports of Collections which are sent to Billings and Collections for processing.

If a class is canceled, or a registrant withdraws from a class, fees are refunded. Refund reports are printed from the system and attached to a payment request form submitted to Financial Services for processing.

Only supervisors have the ability to void receipts. All voided transactions are listed on a report which is printed at the end of the day and are noted on the Report of Collections sent to Billings and Collections.

This audit was performed as a regularly scheduled audit with the approval of the Audit Committee.

Review Objectives

The purpose of this review was to determine whether:

- Controls are adequate over collection, depositing and recording payments;
- Controls are adequate over safekeeping of money until deposited;
- The process for collecting fees is working efficiently

Scope of Work

We interviewed Parks and Recreation personnel involved with supervising, collecting, depositing and recording payments to determine the process for each program area. We also interviewed employees in Financial Services and Billings and Collections.

We selected a sample of transactions which included payments, voids, refunds, and deposits. The payments were traced to the deposits, reports of collection, and the general ledger to determine accuracy, timeliness of the deposits and completeness of information. Voided transactions and refunds were traced to program rosters to verify removal of canceled registrants.

The audit was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

Opinion On Internal Controls

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization and are properly recorded.

It is our opinion that adequate controls are in place over collection, depositing, recording and safekeeping money by segregating the custodial and record-keeping functions.

Audit Conclusions

Based on our review, we further conclude that

- Controls are adequate over collection, depositing and recording payments;
- Controls are adequate over safekeeping of money until deposited;
- The process for collecting fees is working efficiently

Observations and Suggestions

Observation I:

In compliance with the department's Financial/Business Procedures, each program completes a Report of Collections which is submitted to the administrative office with a validated deposit slip and a cash receipts report produced by the system. The official report of collections is prepared by the administrative office based on the information from the cash receipts report and a system generated cash distribution report. Therefore, the reports of collection submitted by program areas are unnecessary and require additional time and resources.

Suggestion:

We suggest that management revisit the requirement that each program area submit a report of collection with each deposit, and only require submission of the cash receipts report to eliminate redundancy.

Observation II:

Checks for registrants which have been returned due to insufficient funds are not recorded as unpaid in Safari. The checks are returned to Financial Services and Billings and Collections for collecting; however, the department is not notified. Therefore, the registrants are not removed from the roster. Additionally, they can continue to register for future classes.

Suggestion:

We recommend that Parks and Recreation work with Billings and Collections to implement a process for notification of checks returned for insufficient funds. It should also be noted that there may be a need to inform the department when the insufficient funds are collected.

Other Comments

We appreciate the cooperation of staff in the Administrative Office who graciously spent time assisting us with this review. We are also grateful to the Director who took the time to talk with us about the processes and other related information within the department. We are available to discuss this report should there be questions or concerns.

Carol J. Bibb, Director of Internal Audit

Michelle Kuhn, Assistant Auditor

Management Response

To: Carol Bibb, Director of Internal Audit

From: Kay Frazier, Director of Parks and Recreation

Date: May 15, 2006

Subject: Review of Parks and Recreation Fees

I have reviewed the parks and recreation fees report and concur with the findings.

In response to the observations and suggestions:

Observation I: The department has eliminated the redundancy in preparation of the Report of Collections form and now requires only preparation of the official report by the administrative staff.

Observation II: In the next thirty (30) days department representatives will meet with the acting Finance Director and representatives from Billings and Collections to establish notification procedures for checks returned for insufficient funds and collection of those funds.

Thank you for the time and effort of Internal Audit staff in performing the review. Your observations are helpful in making parks and recreation a better department.

Cc: L. Kimball Payne, City Manager

John Ramsey, Jr, Support Services Supervisor, Parks and Recreation

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